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C O N F I D E N T I A L SECTION 01 OF 02 ABIDJAN 000560

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COMMERCE FOR MARIA RIVERO
STATE PASS TO USTR CONNIE HAMILTON
EMBASSY ACCRA FOR WARP
TREASURY FOR DAN PETERS

E.O. 12958: DECL: 05/22/2017
TAGS: ENRG ECON IV PGOV PREL
SUBJECT: COTE D'IVOIRE ELECTRICITY GENERATION FALTERS, AFFECTING REGION

REF: A. ACCRA 847

¶B. MAY 22 WAGP EXECUTIVE BRIEF EMAILED BY J STRAUSS

Classified By: EconChief EMassinga, Reasons 1.4 (b, d)

¶1. (SBU) Summary. Privately-owned national electricity distribution company CIE and the Ministry of Energy and Mines continue to squabble over who is to blame for shortfalls in investments needed to boost natural gas production to meet national and regional energy needs. CIE, owned by French firm Bouygues, blames the Ministry (which owns gas producer PETROCI and power generation assets) for failing to invest the relatively modest $30-40 million to ensure adequate gas supply for the short and medium term. Gas shortages, combined with low reservoir levels at hydroelectric dams, have caused power generation to be cut, leading to sharp reductions in electricity exports in the first half of 2007. The Energy Ministry, for its part, wants to see the West African Gas Pipeline (WAGP) extended to Abidjan, and has asked USAID to help with a feasibility study. Long-term, both domestic and regional demand for Ivorian power is slated to remain firm, even when the WAGP comes on line, necessitating better regional planning and more infrastructure investments. In the short term, Cote d'Ivoire's electricity generation problems will be felt throughout the region for the next several years. End Summary.

Perspective of National Energy Company CIE

¶2. (SBU) Emboff met with the Chairman of the Board of the national electricity distributor CIE (a subsidiary of French conglomerate Bouygues; power generation remains in the hands of the state, and CIE is contracted to manage distribution) Marcel Zadi Kessi on April 30. Discussing the recent local press reports predicting either very tight electricity supplies or even outages beginning in June, Kessi offered a candid and broad assessment of the national energy situation and government failings leading to the current state of affairs and the inevitable regional impacts. Kessi presented a detailed internal report (which the company provided to journalists and served as the source of many of the press reports on the subject) that laid out the growing national demand, the state of the national generation capacity, and the steps CIE will take to address predicted shortfalls in the summer of 2007 and beyond. National demand in 2006 increased by 7.4 percent, despite the effects of the

political crisis that divided the country in two. For 2007, CIE expects demand to increase by another 6 percent, with average demand reaching 756mw, up from 729mw in January.

¶3. (SBU) Total installed electric power generation capacity is 1210mw, divided almost equally between thermal (606mw) and hydraulic (604mw). Weak rainfalls, however, have reduced hydro capacity by 110mw. Moreover, the inability of the national gas company to deliver adequate gas supplies from offshore, along with removal from production several key gas-fired turbines for maintenance, have taken a further 140-350mw off-line. Heavy fuel oil can be used to make up for gas supply interruptions, but only to mitigate peak demands, as the cost per kwh of using fuel oil is two to three times that of gas. The country has been warned to be prepared for possible power outages in June as the national power grid will be operated with just the barest minimum of cushion; a surge in demand or a sudden outage at one of the thermal plants will trigger rolling blackouts. Ivorians in the Abidjan region, despite the long-standing political crisis, are not used to the prolonged periods of energy instability chronic in the region.

¶4. (SBU) The results are predictable: Cote d'Ivoire is sharply cutting exports of electricity, causing in large measure the disruptions in Ghana (reftel A) and in Togo that have been reported in the regional press. CIE is reducing power exports by 50 percent in March-June (140gwh in cuts). More specifically, total 2007 exports to Ghana will be 500gwh, vs. the originally planned 550gwh, with the heaviest cuts coming in the first half of the year: 47gwh vs. the requested 270gwh. Togo and Benin's exports will be reduced to 150gwh, down from 200gwh as envisioned; again, the heaviest cuts take place in the first half, with 40gwh provided vs. 96gwh expected. Burkina and Mali will see

similar cuts. Moreover, Ghana and Benin/Togo are also being "zeroed out" during working hours in the first half of 2007. CIE and Ghana's VRA engaged in special negotiations to provide extra power during the first three months of 2007 to light the nation's 50th anniversary, but Ghana's demands were not fully met, due (according to CIE) to the VRA's tardiness in correctly identifying their energy needs. For the rest of 2007, CIE predicts (or perhaps just hopes) more rainfall and more gas deliveries will boost generation of hydro and thermal power respectively, enabling the return of high levels of power exports.

¶5. (SBU) CIE sees the medium and long term situation in stark terms. To meet demand projected through 2008, natural gas supplies will have to rise to 157 million c/f per day from 124 million c/f currently provided. National gas production, which comes from national petroleum producer PETROCI, remains low in comparison to oil production, as gas in quantities available in Cote d'Ivoire cannot be exported, and are thus only available for local use. According to Kessi, PETROCI is dragging its feet to make needed investments, even at the relatively modest amounts of $30-$40 million needed to fully furnish the currently installed thermal power generation base and a new 110MW plant scheduled to come on line in April 2008. The long term for the region is even more dire: soon Cote d'Ivoire will not be able to export power, probably beginning sometime in 2008. At the same time, however, export orders from the region are slated to remain at the 800-900gw per year level through 2011: demand from SONABEL (Burkina) will soar from 150gw to 730gw, while VRA and CEB reduce their combined demand from 750gw in 2007 to zero in 2010, principally due to the West African Gas Pipeline (ref B).

¶6. (C) Kessi openly criticized the management of VRA and other regional power companies for failing to plan for the long term. Kessi also reiterated his critique of the Ivorian Ministry of Energy for failing to invest sufficiently to bring enough gas to the local market to supply the country's

electricity needs. He accused Ministry officials (many of whom are the very same officials who have opposed Bouygues' takeover of power distribution since privatization in 1990) of not understanding the economics of the industry.

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Perspective of Ministry of Energy and Mines
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¶7. (C) Emboff met with Ministry of Energy Director General of Energy Edde Alexandre several days after meeting Kessi to discuss national and regional power concerns. Alexandre demurred from returning fire in the blame game with CIE, and posited that, while the government was committed to bringing online enough Ivorian gas to meet short and medium term needs, Ivorian gas is a too-expensive option long term. Alexandre asked Emboff to help work with USAID to perform a feasibility study examining the extension of the WAGP from Takoradi to the Ivorian border, at which point PETROCI could on its own extend the line to Abidjan-area power stations. The Ministry is also planning to address long-term energy needs through the construction of a $600 million dam (the Soubre project) near the Liberian border, and is actively pursuing financing from the International Financial Corporation. Asked about the nuclear option in West Africa, Alexandre said flatly that no regional power company could afford the price tag.

¶8. (C) Comment. The region's power problems are interconnected, perhaps to a far greater degree than irate consumers in Ghana and elsewhere may realize. Corporate officials and government leaders here appear to be aware that addressing the long-term problems will require long-term planning and investment, even if the form and timing of those investments are still at issue. In the short term, however, the simple hope for more rains and more natural gas in the second half of 2007 does not inspire confidence that the present situation will improve anytime soon. End Comment.
HOOKS